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THE AMERICAN MERCHANT FLEET: A WAR
ACHIEVEMENT, A PEACE PROBLEM

SUMMARY

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INTRODUCTION

AMONG the many cataclysmic economic changes wrought by the world war, few are as striking as the sudden emergence of a great American merchant fleet.

American merchant shipping just before the war stood at the close of half a century of uninterrupted decline. In 1860 the American ocean-going fleet was practically as large as the British. Fully two-thirds of American exports and imports moved in vessels of American registry. In 1910 the American fleet had fallen to one-twentieth the size of the British; and less

than one-tenth of American seaborne foreign trade moved under United States flag. For years before the war, attempts to foster merchant shipping met with stolid indifference when not with vigorous opposition. The business men of the country were convinced that ocean transportation was an industry in which American labor and capital could not profitably engage.

Today the situation is completely changed. American merchant shipping occupies a commanding position. The fleet under United States flag is the second largest in the world, two-thirds as large as the British. Nearly one-half of American exports and imports are shipped in American bottoms. Popular sentiment has shifted from indifference and opposition to interest and support. From one end of the country to the other, business interests demand the permanent establishment of an American merchant marine.

The present American merchant fleet, nevertheless, presents an unsolved problem — indeed, a problem which has not yet been squarely faced. Ships no more make a merchant marine than steel girders a railroad bridge. The American fleet as it stands today is a mammoth collection of war material. It was brought together because, in the face of Germany's ruthless submarine attacks, ship tonnage was an indispensable means of successfully prosecuting the war. The problem now is one of conversion and absorption. What has been acquired as an instrument of war must be turned into a resource of peace. Merely to demand a merchant marine will not accomplish this result. There must be accurate analysis of the experience of the war period and careful diagnosis of the present shipping situation. Only then can the issues be fairly met and a constructive American policy formulated.

Examination of American shipping experience during the war discloses a succession of distinguishable periods. For over two years the situation was marked by official observance of strict neutrality. The economic and political forces which gathered under this policy became so powerful that the close of 1916 and the opening of 1917 witnessed a necessary period of compromise. The declaration of war by the United States, April 6, 1917, opened a brief period of controversy, closed only by a complete change of personnel in the government's shipping organization. From the first of August, 1917, to the signing of the armistice was a period of coöperative effort in which shipping was increasingly coördinated with the other war activities of the government. The close of active hostilities quickly shifted the shipping problem to the difficult task of converting the war fleet to permanent peace-time services. This problem still dominates the shipping situation.

DRIFTING DURING STRICT NEUTRALITY

In general, during the first two years of the war, American merchant shipping shifted for itself. The shortage of tonnage grew increasingly acute; the belligerent nations vied with one another in drawing shipping to their own exclusive services; yet the American government did nothing.

This attitude of inactive neutrality was broken only by the enactment, in August, 1914, of a free registry law, extending American registry as a safe haven to foreign shipping. Traditional American policy had excluded foreign-built vessels from American registry. Renunciation of this policy first occurred in the Panama Canal Act of August 24, 1912. This act provided that foreign-built vessels not more than five years old at the time of registration, and certified by the Steamboat

Inspection Service as safe to carry dry and perishable cargo, might be admitted to American registry for foreign trade. By an act of August 19, 1914, the five-year age limit was removed. Foreign-built vessels thereafter could obtain American registry upon passing the Steamboat Inspection Service test for seaworthiness.

Numerous owners of foreign-built vessels quickly took advantage of the free registry act. The greater safety under neutral flag was apparently more than an offset to more expensive American operation. During the fiscal year ended June 30, 1915, about three-quarters of a million deadweight tons¹ were brought under United States flag by transfer from foreign registry. It might have been thought that the United States was to acquire large amounts of tonnage as a result of its new registry policy.

Any such conclusion was unwarranted. In the first place, probably nine-tenths of the tonnage transferred in the first year was owned by American individuals and corporations and consequently already under American control while under foreign flag.² Furthermore, most of the foreign nations speedily enacted laws practically prohibiting the transfer of vessels to alien registry. Transfers under the law of 1914 fell during the fiscal year 1915-16 to approximately 100,000 deadweight

¹ Tonnage data compiled by the United States Bureau of Navigation and by numerous foreign offices are ordinarily in gross tons. In this article it is more convenient to use deadweight figures since most of the data are drawn from the records of the United States Shipping Board and Emergency Fleet Corporation, both of which have kept their records largely in deadweight, rather than in gross, tonnage. Deadweight tonnage of cargo vessels may be approximately obtained by multiplying gross tonnage by $\frac{3}{4}$. This method of conversion was used in obtaining the figure given above. It will be used elsewhere when the deadweight tonnage is not officially reported.

² The traditional American policy of confining American registry to American-built vessels did not prevent American citizens from owning foreign-built vessels; it merely forced the registry of such vessels under foreign flag. The practice was to hold such vessels through foreign corporations the shares of which were held by American owners. The Commissioner of Navigation estimated that at the opening of the war such American-owned foreign tonnage equaled in number of ships and somewhat exceeded in carrying capacity the tonnage registered for foreign trade under American flag. Annual Report, 1914.

tons. The aggregate acquisitions (deducting losses through war and marine risks) from August 19, 1914 to July 1, 1919 were about 1,000,000 deadweight tons. Under pre-war conditions such accessions would have been important. Under the circumstances of the war period they were of slight significance.

The free registry act of 1914 might well have been the first step in a comprehensive program of legislation designed to enlarge the American fleet during the crucial months of European war. In fact, it was nothing of the sort. Constructive action was apparently inconsistent with strict neutrality. For two years the government drifted. If there were an official program, it seemed to be to solve the shipping problem by presidential exhortation. Not until the fall of 1916 was positive legislation finally enacted.

A PERIOD OF UNCERTAINTY

The Shipping Act of September 7, 1916 introduced a brief period of compromise. The shipping experiences of the first two years of the war had convinced many that the only protection of American trading interests upon the high seas lay in government acquisition of merchant vessels. The Shipping Act was a compromise between those favoring a comprehensive program of government ownership of merchant shipping and those advocating continued reliance upon private initiative. Under the provisions of the act, the United States Shipping Board was empowered to build, repair or alter, buy, lease, or charter merchant vessels. In effect the power to build vessels was sharply separated from the power to acquire tonnage by other means. The power to build was limited only by the willingness of Congress to grant necessary appropriations.¹ On the

¹ The Shipping Act made \$50,000,000 available for this purpose.

other hand, the Board's authority to purchase, lease, or charter was narrowly restricted. Only those vessels could be taken which:

1. Were about to be withdrawn from the foreign and domestic commerce of the United States without any intention on the part of the owners to return them within a reasonable time;
2. Were under the registry or flag of a foreign country not engaged at the time in war;
3. Were adapted or might by reasonable alterations and repairs be adapted for use as naval auxiliaries or naval transports, or for other naval or military purposes;
4. Were, upon expert examination made under direction of the Board, found to be without alteration or repair, at least 75 per cent as efficient as when originally put into commission as seaworthy vessels.

The third and fourth conditions probably did not preclude the Board's acquiring a large amount of tonnage, but the first two conditions placed practically all foreign vessels beyond the Board's reach. Under the Act of 1916, the only means for government acquisition of considerable tonnage was new building on government account, and in this direction Congress gave no promise of loosening the purse-strings.

Not only was the Shipping Act of 1916 a compromise; it was a hybrid of legislation on two entirely different subjects. The second half of the law conferred upon the Shipping Board sweeping regulatory powers over "common carriers by water." Two classes of carriers were brought within the jurisdiction of the Board: (1) those engaged in foreign commerce, exclusive of ferry boats on regular routes and freight carriers known as "tramps"; (2) those engaged in interstate commerce, exclusive of carriers on irregular routes, on intrastate lines, and those operating solely on the inland waters of the country.¹ In general, carriers brought under the authority of the Board were: (1) forbidden to give any

¹ Carriers engaged exclusively in the transportation of proprietary traffic also were exempted from application of the act.

unfair or unreasonable advantage or preference to any particular person, locality, or description of traffic in any respect whatever; and (2) required to file immediately with the Board a true copy, or if oral, a true and complete memorandum, of every agreement, understanding, conference, or arrangement regulating rates, competition, the apportionment of earnings, traffic, or service. Deferred rebates and "fighting ships" were specifically prohibited. Carriers in foreign commerce were forbidden to charge discriminatory rates or rates prejudicial to American exporters, and were required to observe reasonable regulations and practices; and the Board was empowered to order an unjust rate or practice discontinued and order a just one enforced. Carriers in interstate commerce were required to observe just and reasonable rates, classifications, regulations, and practices, to file with the Board and keep open to public inspection all schedules of rates and charges, and not to charge more than such rates and charges except with the approval of the Board and after ten days' public notice. Furthermore, the Board was empowered to prescribe reasonable freight rates for interstate carriers. Substantial penalties were provided for violations of the act or failure to comply with its provisions, and the Board was given ample power to entertain complaints, conduct hearings, subpoena witnesses, file suits, and in general to take all action necessary to enforce the law. On its regulatory side the Act of September, 1916, was as comprehensive as could be desired.

The administrative organization created by the Shipping Act of 1916 consisted of a United States Shipping Board of five commissioners appointed by the President, by and with the advice and consent of the Senate.¹

¹ Six years was made the term of office and \$7500 the annual salary of the commissioners. The terms of the first appointees were "staggered" so that the term of one member of the Board would expire each year, beginning with the end of the second year.

Appointment of commissioners was to be made with due regard to the requirements of the office and "a fair representation of the geographical divisions of the country." Not more than three of the commissioners were to be appointed from the same political party. No commissioner was to be in the employ of, hold any official relation to, or be in any way pecuniarily interested in any of the companies or persons subject to the Board's action. The Board was thus designed to be a non-partisan, non-sectional, disinterested administrative organization.

The first appointments to the Board reflected the disposition to compromise which prevailed at the time. In the first place, the President delayed nominations for over three months. It was not until the 22d of December that the President sent to the Senate for confirmation the following nominations:

William Denman, Democrat, San Francisco, admiralty lawyer, term of six years;

Bernard N. Baker, Democrat, Baltimore, ship owner and president of Atlantic Transport Line, term of five years;

John A. Donald, Democrat, New York City, steamship operator, term of four years;

James B. White, Republican, Kansas City, lumberman and lumber exporter, term of three years;

Theodore Brent, Progressive Republican, New Orleans, transportation expert, term of two years.

These nominations aroused absolutely no enthusiasm, but were all confirmed by the Senate late in January. The Board then proceeded to organize for business, first electing Mr. Denman chairman.¹

¹ Mr. Baker at once resigned on the 26th of January. For the greater part of its existence, the Board has been seriously hampered by the instability of its membership. The Board has had four different chairmen. Thirteen different commissioners have served during the three and one-half years since the Board was first created. The average term of office has been fourteen months. Mr. Donald alone has continued on the Board from the start. During only twenty-two months has the Board's membership been complete, and for two-thirds of this time Vice-Chairman Stevens was absent in

Upon the whole, the initial personnel of the Board gave little promise of constructive action. This was particularly so after Mr. Baker's early resignation. Such competence as the commissioners brought to the work of the Board lay in the direction of regulation of shipping rather than the upbuilding of the merchant marine. The men of the country who best knew ship construction and operation were virtually excluded from the organization by the restrictions placed upon appointment to the Board. Men with wide shipping experience and connections were held to be so enmeshed in selfish interests as not to be eligible for the government service.

For the first two months of its existence, the Shipping Board occupied itself with a matter of slight consequence. Section 9 of the Act of 1916 provides that when the United States is at war or during any national emergency the existence of which is declared by a proclamation of the President, no vessel registered or enrolled and licensed under the laws of the United States shall, without the approval of the Shipping Board be sold, leased, or chartered to any person not a citizen of the United States, or transferred to foreign

Europe. Much of the time the Board has consisted of only three commissioners. Fortunately, the Act of 1916 provided that vacancies in the Board should not impair the right of the remaining members to exercise all the Board's powers. The several succeeding commissioners of the Board with the dates of their appointment and retirement are given in the following list:

Commissioner	Appointment confirmed	Resignation accepted
William Denman*	January 19, 1917	July 24, 1917
Bernard N. Baker	" " "	January 26, 1917
James B. White	" " "	July 24, 1917
Theodore Brent	" " "	July 26, 1917
John A. Donald	January 23, 1917	†
Raymond B. Stevens	March 15, 1917	June 15, 1920
Edward N. Hurley*	June 25, 1917	July 31, 1919
Bainbridge Colby	August 8, 1917	March 4, 1919
Charles R. Page	October 3, 1917	May 15, 1919
John B. Payne*	August 5, 1919	March 13, 1920
Henry M. Robinson	" " "	September 15, 1919
Thomas A. Scott	" " "	April 15, 1920
William S. Benson*	March 15, 1920	†

* Chairman.

† Still on the Board (June, 1920).

registry or flag. The Board almost as soon as organized requested the President to issue a proclamation declaring the existence of such a national emergency as contemplated in the act. The President promptly complied on February 5, 1917. Thereafter transfers of American vessels to foreign registry required the Board's approval.

The period was one of acute shipping shortage and attempts to transfer American vessels to foreign registry were numerous. The second annual report of the Board (p. 36) states that a large part of the time of the Board during its meetings in February and March, 1917, was occupied in considering applications for transfer of American vessels to foreign registry and for the chartering of American vessels by aliens. Upon the whole, the Board adopted a strict interpretation of its authority to approve transfers, and permitted transfer of only those wooden vessels and older and special-design iron and steel ships which were clearly of no particular value to the American merchant marine. At first the Board experienced difficulty owing to the fact that vessels building in the United States might be sold to foreign interests despite the provisions of the September act. The Board consequently requested Congress to extend its authority to cover vessels in process of construction. An amending statute stopping this loophole was enacted July 15, 1917. Thereafter it was impossible for foreign interests to acquire American tonnage either building or in service without the approval of the Board. It may safely be said that under the Board's administration there has been no transfer from American to foreign flag of ships which could have served any useful purpose under United States registry.

The preoccupation of the Board with matters of lesser importance was quickly terminated by the declaration of war by the United States on April 6,

1917. Emphasis at once shifted from the problems of regulation to those of construction. The regulatory measures of the Shipping Act have never since played a major part in the work of the Board.

For the building of ships more elaborate organization seemed indispensable. The Act of 1916 had empowered the Board in the exercise of its functions to form one or more corporations under the laws of the District of Columbia. The total capital stock of such corporations was not to exceed \$50,000,000. The Board was authorized for and on behalf of the United States to subscribe to, purchase, and vote not less than a majority of this capital stock, and the Treasury was instructed to place at the disposal of the Shipping Board the full \$50,000,000 which the Board was authorized to use in purchasing the stock.¹

Acting under the authority thus given, the Board organized on April 16, 1917, under the laws of the District of Columbia, the United States Shipping Board Emergency Fleet Corporation. Its capital stock of \$50,000,000 was taken entirely by the Shipping Board except for the few qualifying shares of the directors. In legal form the Emergency Fleet Corporation was a private organization: in fact, it was altogether an agency of the government. The intimate connection between the Board and Corporation was made evident in the selection of the Commissioners of the Board to serve as five of the seven trustees of the Corporation and the election of officers of the Board to the principal executive positions of the Corporation. The purpose of the Corporation as stated in the first annual report of the Shipping Board (p. 6) was "to place on a competitive equality with private shipping all vessels operated

¹ The Board might with the approval of the President sell any and all of the stock of the United States in such corporation, but at no time was it to be a minority stockholder therein. As a matter of fact, the Board has never offered any of the stock for sale.

under government appropriations, by exempting the latter on the one hand from governmental restrictions not adapted to commercial practice, and by withholding from them on the other hand such immunity in domestic or international law as is customarily associated with government activity." That the Emergency Fleet Corporation was a desirable addition to the agencies engaged in the government's shipping program cannot be questioned. Beyond doubt it greatly facilitated execution of policies adopted by the government during the period of the war.

As soon as the Emergency Fleet Corporation was fully organized, the Shipping Board delegated to it the authority to build ships conferred in the Act of 1916 upon the Board. The government's shipbuilding program has been entirely a concern of the Corporation. The capital of the Corporation, \$50,000,000, was at once applied to the project of building ships. At first difficulties were encountered in letting contracts. Steel yards were at the time so completely tied up with earlier business that they offered little hope of considerable deliveries to the government for many months to come. Those interested in the wooden shipbuilding program were quick to take advantage of the situation and promised large deliveries of wooden ships at earlier dates. As a result, under the leadership of Mr. Denman, President of the Corporation as well as Chairman of the Board, the \$50,000,000 available for new ships under the Act of 1916 was soon assigned to a program of wooden ship construction.

Meanwhile in the completion of the organization of the Emergency Fleet Corporation, Major General George W. Goethals had been made general manager. The arrangement was not a happy one. On the one hand, Mr. Denman was thoroly committed to a huge

wooden shipbuilding program. Upon the other, General Goethals was frankly skeptical regarding the plans for wooden shipbuilding¹ and urged the necessity of energizing the steel shipbuilding industry of the country at the earliest possible moment. Further differences arose as to the design to be adopted for wooden ships. The dispute between the two officers of the Corporation grew increasingly acrimonious. It finally led in July, 1917, to the resignations of both men at the request of the President. This brief period of controversy was thus brought to an early close.

ACCOMPLISHMENTS DURING THE WAR EMERGENCY

With the withdrawal of Mr. Denman and General Goethals, a complete reorganization was effected. It took two lines: (1) an entire change of statutory authorization; (2) a complete change of personnel. The powers given to the United States Shipping Board in the Act of September 7, 1916, were rendered altogether insignificant by the authority granted under the Emergency Shipping Fund Section of the Urgent Deficiencies Appropriation Act of June 15, 1917. By this act the President of the United States was authorized:

1. To place an order with any person for such ships or material as the necessities of the government, to be determined by the President, might require during the period of the war;
2. To modify, suspend, cancel, or requisition any existing or future contract for the building, production, or purchase of ships or material;
3. To requisition the output of any owner or occupier of any plant in which ships or material were built;
4. To requisition and take over for use or operation by the United States any plant or portion of a plant, whether or not

¹ The skepticism has been abundantly justified by subsequent events. The wooden ships served no useful purpose unless it were to impress the enemy with the earnestness of our shipbuilding effort and to enlist political support for the program in this country.

the United States had any contract or agreement with the owner or occupier;

5. To purchase, requisition, or take over the title to, or the possession of, for use or operation by the United States, any ships then constructed or in the process of construction or thereafter constructed, or any part thereof, or charter of such ship.

Compliance with orders issued under these provisions was given priority over all other orders or contracts. In case of refusal to obey the orders, the President was empowered to take immediate possession of ships or material at such reasonable prices as he should himself determine. Just compensation was required for all property taken under the Act. For acquiring ships under construction, plants, materials, and charters, the expenditure of \$250,000,000 was authorized; for the construction of vessels on government contract, \$500,000,000 more. Authority granted to the President by the act was to continue until six months after a final treaty of peace should be proclaimed between the United States and the German Empire. All ships constructed, purchased, or requisitioned under authority of the act were to be managed, operated, and disposed of as the President might direct. Finally, the President was authorized to delegate all power conferred upon him by the act to such agency or agencies as he should from time to time select.

By an executive order, signed July 11, 1917, the President delegated to the Emergency Fleet Corporation all the powers and authority vested in him under the act so far as they related to the construction of vessels. All his other powers and authority relating to shipping, granted under the act, the President delegated to the Shipping Board, with the provision that in the discretion of the Board the powers might be exercised by it directly or through the Emergency Fleet Corporation

or any other corporation organized by the Board for the purpose. The activities of the Board and of the Corporation during the period of the war were based almost exclusively upon this delegation of power from the President.

The authority of the Corporation in the building of ships was essentially unrestricted and the task of constructing the new fleet became the one absorbing interest of the Corporation's huge Construction Division. The funds appropriated for the shipbuilding program under the Urgent Deficiencies Appropriation Act were immediately made available to the Corporation. Subsequently Congress placed practically no limit on the sums the Corporation might spend. Total authorizations of expenditure exceeded three and a half billion dollars.

In order to unify the building program and to secure absolute control over building already in process or contracted for, the Corporation on August 3 requisitioned all hulls and materials in American shipyards intended for use in the construction of steel vessels of 2500 deadweight tons or over, for private and foreign owners. As a result of this order the Corporation came into possession of rights to 431 vessels of a total of 3,068,000 deadweight tons. The requisition order applied to vessels in all stages of incompleteness; in some cases only a few materials had been secured, in other cases the ships were about to be delivered. More than half of the tonnage was controlled by foreign interests. At the time of the requisition practically all of the available shipbuilding capacity of the country was taken up either in the building of the requisitioned or of naval vessels. The requisition order gave the Corporation undisputed control of all construction operations except those for the navy.

Of the 431 vessels on private contract at the time of

the requisition order, 19, of 127,000 deadweight tons, were being fitted out; 131, of 964,000 deadweight tons, were on the ways; and the remainder, 281, of 1,977,000 deadweight tons, had not even had their keels laid. Progress on the requisitioned vessels was naturally more rapid than upon those which were subsequently contracted for. The total requisitioned tonnage completed during the period of actual hostilities was approximately 1,750,000 deadweight tons. This constituted three-fourths of the total new tonnage delivered to the Emergency Fleet Corporation prior to the signing of the armistice, and was a larger amount of tonnage than comprised the total American fleet registered for foreign trade at the opening of the world war. For this part of its fleet, the government had partly to thank the private concerns who had begun work upon the vessels before the start of the government's own building program.

Along with the program of completing the requisitioned vessels went a program of construction on contract. The majority of these contract ships were built for a lump sum. Some, however, were constructed on the basis of cost plus a fixed or sliding fee. Still others were built in the great "agency" yards constructed from government funds. Naturally, the contract building program was slower in making delivery than the requisitioned ship building program. The first contract for new construction was let on April 27, 1917; the first contract ship to be delivered was turned over to the Fleet Corporation in January, 1918. At the signing of the armistice the contract program had yielded approximately 650,000 deadweight tons, about one-fourth of the total deliveries up to that date.

The placing of contracts for vessels was only a small part of the program of building ships. The government

had to take an active and aggressive part in providing additional facilities for shipbuilding as well as accommodation for those engaged in the work. In the last analysis the problem was to mobilize a sufficient body of competent and willing workers with an adequate equipment of necessary capital. When the United States entered the war there were in this country 37 shipyards building steel vessels and 24 shipyards building wooden vessels of over 3000 tons. There were 143 ways in the steel yards and 73 ways in the wooden yards. About 70 per cent of the ways in the steel yards were then constructing vessels for the navy, and many of the wooden yards were unfit for modern shipbuilding purposes. An expansion of the shipyard facilities was thus one of the necessary tasks of the Fleet Corporation. At the signing of the armistice the number of steel ways available for the program of the Emergency Fleet Corporation had been increased from 143 to 398 and the number of ways in the wooden yards from 73 to 418. The number of steel yards taking part in the program had been increased threefold, the number of wooden yards fivefold. The task of the Emergency Fleet Corporation was truly one of tremendous scope and proportions.¹

Numerous changes in the personnel of the Emergency Fleet Corporation organization accompanied the successful prosecution of the shipbuilding program. In the reorganization of July, 1917, General Goethals was succeeded by Rear Admiral Washington L. Capp, an authority on the subject of naval construction. Admiral

¹ The total appropriations for the shipbuilding program, as of December 31, 1918, amounted to \$2,625,451,000. The total was made up of the following items:

Requisitioned ships	\$415,000,000
Contract ships	1,823,788,500
Plant and property	177,000,000
Housing	75,000,000
Transportation	20,000,000
Dry docks and marine railways	59,662,500
Foreign shipyards construction	55,000,000

Letter from Director General Piez to Chairman of Senate Committee on Commerce, February 6, 1919, p. 72.

Capp was in turn succeeded by Rear Admiral Frederick R. Harris, Chief of the Bureau of Yards and Docks in the navy. Both of these naval officers brought to the Corporation an extraordinary mastery of the problems of navy ship design and construction; but they did not bring the necessary acquaintance with the problems of large-scale business organization and management. Admiral Harris remained in office less than three weeks, and was succeeded by Charles Piez of Chicago, a man of conspicuous business success. In the spring of 1918 it became clear that it was necessary still further to strengthen the organization if the construction program was to meet requirements. The appointment in April, 1918, of Charles M. Schwab as director general of the Fleet Corporation supplied just the element that was needed. Mr. Schwab's extraordinary genius for business organization and executive work and his surpassing personal force and magnetism aroused a high pitch of energy and enthusiasm. With the Emergency Fleet Corporation moved from Washington to Philadelphia so as to be out from under the direct influence of Congress and the Shipping Board, Mr. Schwab was able to pursue his own course and make the work of the Fleet Corporation essentially an independent enterprise, altogether separate from the other activities of the organization in charge of the government shipping program. Under the leadership of Mr. Schwab, ships were turned out with almost inconceivable speed and the shipbuilding program of the government became one of the conspicuous successes of the war period.

Ship construction, while the most obvious means of obtaining tonnage for the government's war program, was after all only one of several available means. Under the direction of the Shipping Board, merchant tonnage was obtained for war service from a number of other sources:

1. Through requisition of American vessels under private ownership and operation and their subsequent removal from non-essential services;
2. By transfer of vessels from the Great Lakes;
3. By purchase of vessels from foreign owners;
4. By charter of foreign tonnage;
5. By requisition of Dutch ships;
6. By seizure of enemy vessels.

The requisition of American flag tonnage was made by an order issued October 12, 1917, effective on the 15th. Under this order all American steel power-driven cargo vessels of 2500 deadweight tons or over and all American passenger vessels of 2500 gross register, suitable for foreign service, were requisitioned for government use. In practically all cases the Shipping Board did not wish to requisition the title of these vessels but merely the use. The requisition order of October, 1917, brought under government control 393 vessels of 2,772,000 deadweight tons. On armistice day this requisitioned fleet had increased to 444 vessels of 2,939,000 deadweight tons.

The accession of tonnage through transfer of vessels from the Great Lakes was more picturesque than important. Only small vessels could be brought down because of the necessity of passing the ships through the intervening locks and canals. Certain vessels which were too large to go through on their keels were cut into sections and floated through on their sides. The successful results were interesting from an engineering point of view but gave relatively little assistance to the government's army program. Prior to the signing of the armistice, about 200,000 deadweight tons were added by transfer from the Lakes to the government's ocean-going fleet.

The purchase of vessels from foreign interests was stopped for the most part by action of the foreign gov-

ernments. As already pointed out, there was considerable transfer of tonnage from foreign flags to American registry in the first year of the war; but accessions from this source fell to a low figure following the adoption of restrictive measures abroad. From the Japanese, however, it was possible to purchase thirteen steel cargo vessels already constructed and to contract for the building of thirty others. Chinese yards also undertook to build four on American order. None of the Japanese and Chinese contract ships came out before the close of hostilities, and aside from transfers of registry by private concerns — already considered — probably not more than 175,000 deadweight tons were acquired before armistice day by purchase from foreigners.¹

Through the joint action of the Shipping Board and the War Trade Board, the government made every effort during the war to charter vessels from foreign countries. Agreements were made with five foreign countries: Denmark, Sweden, Norway, Japan, and France. Ships obtained from France were sailing vessels, consequently of relatively little use; and much other tonnage obtained under these agreements could not be put to war-zone use. Altogether the government, as a result of a series of negotiations with these foreign powers, secured about 150,000 tons of sailing tonnage and almost 1,000,000 deadweight tons of steam vessels.

Dutch shipping in American ports was acquired under a presidential proclamation of March 20, 1918, issued after fruitless negotiations with the government of the Netherlands. The proclamation, in accordance with established principles of international law, authorized

¹ This is exclusive of enemy tonnage obtained from minor belligerent or neutral powers.

the Secretary of the Navy to take possession of all vessels of Netherland registry necessary for the prosecution of the war. The vessels were to be manned, equipped, and operated by the Navy Department and the Shipping Board. The owners were to be given full compensation by the Board. Under the provisions of this proclamation, the government obtained 87 Dutch vessels of 534,000 deadweight tons, lying in widely scattered ports of the United States, including Porto Rico and the Philippines.

When the United States entered the war, a large number of ships of German registry were interned in American ports. These vessels were at once taken over by custom house officials and later placed with the Shipping Board for repair. On May 12, 1917, Congress, by joint resolution, conferred authority on the President to take possession and title to all vessels which were under enemy ownership or registry when brought within American jurisdiction, and to operate, lease, charter, and equip them for the service or commerce of the United States. By executive order of June 30, 1917, the President authorized the Shipping Board to act under this resolution. The Board immediately made formal seizure to confirm possession of the vessels. Ninety-one vessels of nearly 900,000 deadweight tons were thus added to the government's fleet.¹

The different sources of tonnage contributed widely varying amounts to the emergency fleet under governmental control in the fall of 1918. The most important accessions came from the requisition order of October, 1917, the construction of new vessels in American yards, the chartering of neutral tonnage, and the seizure of enemy vessels. The requisition of Dutch ships was also

¹ A number of other enemy vessels interned or seized by other countries were purchased or chartered by the Shipping Board during the war.

an important addition to the fleet. At the signing of the armistice, practically every source had been exhausted except new construction.

The great merchant fleet held by the government was controlled through agencies set up by the Shipping Board. The first organization consisted of the Transportation Committee of the Emergency Fleet Corporation. This was later converted into the Committee of Operations of the Corporation, and this in turn into a Division of Operations, coördinate with the Construction Division. On September 29, 1917, the trustees of the Emergency Fleet Corporation appointed a Director of Operations. Two months later all vessels owned by the Shipping Board were chartered to the Corporation Division of Operations. For a while general administration of the requisition program and the operation and direction of all vessels under the control of the Board was solely in charge of the Division of Operations. From February, 1918, to January, 1919, however, the Shipping Control Committee in New York City was responsible for the allocation of vessels to cargoes and services. During this period the Division of Operations had charge of requisitioning ships, controlling freight rates, attending to repairs and physical upkeep, and making all financial and business arrangements with owners and operating agencies. Since January, 1919, supervision of the management and operation of the government's merchant fleet had been altogether the work of the Division of Operations.

Control of American merchant shipping during 1918 was exercised largely by the Shipping Control Committee. This Committee was organized on February 11, 1918, by the Shipping Board acting in conjunction with the War Department. The Committee consisted of three members, one representing the British Ministry

of Shipping. Mr. P. A. S. Franklin, President of the International Mercantile Marine Company, was made chairman of the Committee and completely dominated its activities.

The powers of the Shipping Control Committee were twofold: first, as the agent of the Shipping Board it allocated the merchant vessels under government control to the services in which they were most needed; second, as agent of the War Department, it had entire charge of the operation of the cargo steamers assigned to the army for transport of military material to the American army abroad. So far as possible, vessels were turned over to the army cargo service. But a minimum movement of essential imports had to be preserved; and the Chilean nitrate trade had to be developed to proportions never before contemplated. In bringing commercial shipping to the bare requirements of essential trade, the Committee was supposed to follow the import restrictions of the War Trade Board. These in turn were based upon the studies and recommendations of the Division of Planning and Statistics of the Shipping Board. The importance of the work of the Committee can hardly be exaggerated. By the signing of the armistice practically all steam vessels over 5000 deadweight tons, suitable for trans-Atlantic service under war conditions, had been withdrawn from the commercial trade and allocated to army use.¹

The government's control of shipping was not confined to vessels brought definitely under its jurisdiction by purchase, requisition, seizure, and direct charter. In order to exercise, if possible, some measure of control over alien shipping in American foreign trade, a Chartering Committee was appointed by the Shipping

¹ The War Department and War Trade Board had to bring considerable pressure to bear upon the Committee to bring about this result.

Board on September 29, 1917. This Committee set up offices in New York City. Its work was closely coördinated with that of the Transportation Committee of the War Trade Board. All neutral ships, and all American vessels not covered by the requisition order of October, 1917 — steamers under 2500 deadweight tons and sailing vessels of all sizes — plying between United States and foreign ports, were brought under the Committee's control. For several months, control was secured through the aid of the War Trade Board's exclusive power to grant licenses for bunkers and necessary imports and exports, and through the Treasury Department's customs and inspection service. Since ships could hardly continue in American trade without the consent of these two government agencies, it was comparatively easy for the Chartering Committee to obtain almost any terms from the ship operator as a condition to the approval of vessel charters. By this means vessels were kept to stated services, were made to agree to remain in American service, and were compelled to accept certain designated freight rates.

The indirect control thus accomplished was made direct through Act of Congress July 19, 1918. This act granted to the President, or the agency designated by him, power to approve or disapprove of the charters of all vessels of the United States of any specified class or description; to determine and prescribe reasonable freight rates and conditions of transportation; to prescribe priorities in transporting goods by water; to control the procurement of fuel. The President was authorized furthermore to extend these provisions by proclamation to foreign vessels under charter to United States citizens, and to require that no citizen of the United States should charter any vessel of foreign nationality unless the charter were approved by the

President or his authorized agent. By proclamation of July 29, 1918, the President delegated to the United States Shipping Board the authority conveyed by the Act of the 19th. This authority was exercised by the Board during 1918 through the Chartering Committee. During the second half of 1918 not a charter was written nor a freight rate specified in the ocean-going trade of the United States without the approval of the agencies of the United States Shipping Board. Government control of merchant shipping in American service was absolute.

Slow as was the progress made upon the shipping problem during the early days of the war, the government's final shipping program was an assured success. It is true, of course, that there would have been a continuing shortage of shipping had the war lasted through the spring and summer of 1920. At the same time there would have been enough shipping to assure the successful prosecution of any military program that could possibly have been put through. Waste there surely was in the construction of shipping; unwilling coöperation may have marred the relations between the Shipping Board and the War Department; certainly there were times when the Shipping Control Committee appeared to be more solicitous of the trading interests of the merchant marine than of the pressing military needs of the War Department. But upon the whole the government's regulation of shipping during the months prior to the armistice was a success. Two million men were placed in France with all the necessary military stores and supplies. The task was an unprecedented one and its successful accomplishment reflects great credit upon those who were instrumental in bringing it about.

PROBLEMS SINCE THE SIGNING OF THE ARMISTICE

The signing of the armistice completely overturned the shipping problem. As long as we were sending more and more men to France, control of merchant shipping had but a single object — the mobilization of merchant ships for the transportation of men and materials to Europe and the importation of materials for essential military and civilian uses. Unlike many other war projects, the task of the Shipping Board did not dissolve with the close of actual hostilities. Upon the whole, the problem became even more difficult. In place of the single objective of the war period, there were at least two: first, the liquidation of the war program; and second, the much more difficult problem of utilizing the government's control and resources for the upbuilding of a permanent mercantile marine.

The problem of liquidating the war commitments was the simpler of the two. The phase of this problem to be most quickly settled was the shipbuilding program. The maximum active program of the Emergency Fleet Corporation had risen to the tremendous total of 3,148 vessels of 17,400,000 deadweight tons.¹ About 2,400,000 deadweight tons had been delivered when the armistice was signed. That event naturally brought an immediate reaction in the yards. Overtime work was eliminated and the workers dropped the record-breaking pace which they had acquired under the stimulus of Mr. Schwab's leadership. Uncertainty as to the government's cancellation policy added to the slump. A material reduction in the building program obviously was desirable. How far it would be practicable to go was

¹ The original paper program had called for more than 18,000,000 deadweight tons.

uncertain. When officials of the Emergency Fleet Corporation finally undertook a review of outstanding contracts, consideration was given to the following factors: ¹

1. Cost to the Corporation of the cancellation proposed;
2. Progress on the contract proposed for cancellation;
3. Quantities of material assembled at the yard;
4. Percentage of material already manufactured or fabricated;
5. Status of contracts for the amortization of plant investment;
6. Whether the yard were an old or a new one;
7. Whether the Corporation had an investment interest in the contract;
8. Whether the program showed a surplus of the type of vessel proposed for cancellation;
9. Whether the general labor situation in the yard would be disturbed by cancellation.

The laying of keels for wooden ships was immediately stopped on a general order; steel construction was handled vessel by vessel. Cancellations and suspensions finally amounted to about 3,825,000 deadweight tons, constituting about 22 per cent of the pre-armistice building program. By far the greater part of the government's shipbuilding has been done since the signing of the armistice.

Deliveries during 1919 established high records, greatly in excess of the highest figures of 1918. In April, 1919, over 800,000 deadweight tons were turned over to the Emergency Fleet Corporation. The program is now, in the summer of 1920, virtually completed. It has added to the American merchant fleet more than 2350 vessels of over 13,500,000 deadweight tons. More than 1700 of these vessels, of 11,500,000 deadweight tons, are of steel. When it is realized that the entire American merchant marine engaged in foreign trade at the opening of the war hardly exceeded 1,500,000 deadweight

¹ Third Annual Report, United States Shipping Board, pp. 81, 82.

tons, an idea is obtained of the tremendous proportions of the government's shipbuilding effort.

The relinquishment of government control of privately owned shipping was a somewhat slower process than the revision of the building program. At the signing of the armistice practically two-thirds of the tonnage under government control was in the direct service of the army and navy. Altho the army needed increasing numbers of troop transports for the return of the men during the spring of 1919, its need of cargo transports at once declined, and the release of tonnage from army service was steady and substantial throughout the first half of 1919. Speedy relinquishment of government control would have been justified had it not been for the great food shipments undertaken in European relief during the early months of 1919. This movement set in during February and soon attained large proportions. In May, when the food relief movement was at its height, a fleet of about 2,000,000 deadweight tons was employed — approximately one-fourth of the active tonnage under Shipping Board control. Despite the pressure which this task imposed upon American flag tonnage, release of privately owned tonnage was gradually effected, with the result that by June 30, 1919, only those vessels were still under requisition which were particularly adapted for the westbound troop movement. For the most part privately owned tonnage was free from government control within six months of the signing of the armistice.¹

The release of requisitioned vessels did not prevent the Shipping Board from continuing to dominate the tonnage situation, for the fleet of vessels owned by the government was by far the largest plying in American

¹ Redelivery to the Dutch of the vessels requisitioned during the war proceeded slowly and was not completed until the summer of 1919.

trade. The vessels were managed and operated by private companies, but always under the supervision of the Division of Operations of the Emergency Fleet Corporation, and subject always to the dictation of the Board and Corporation as to cargoes and service. In the employment of the vessels the Shipping Board has endeavored to establish regular sailings on more than twoscore trade routes, largely in trans-Atlantic and South American services where it has been thought that American exporters have a special interest. By this means the Shipping Board has attempted to do constructive work in the permanent establishment of an American merchant marine. It might well have been even bolder and more imaginative in this part of its work.

Meanwhile, early in 1919, the Board, under the leadership of Chairman Hurley, adopted the policy of selling the government's tonnage to private purchasers. No restrictions as to nationality were placed upon the sale of the wooden vessels; in fact, special inducements were offered for the foreign purchase of these ships.¹ On the other hand, steel ships were offered only to American buyers. The Shipping Board in the summer of 1919 established at New York City a Ship Sales Division which made every effort to dispose of the government's vessels. Unfortunately the prices at which the vessels were held were so high as to discourage negotiations. Chairman Payne's report to the Senate Committee on Commerce on February 21, 1920, stated that at that time the total sales consisted of the following vessels (excluding vessels reconveyed after have been requisitioned while building on private contract):

¹ It has been recognized by all that the sale of the wooden vessels is merely a problem in the salvage of war material.

Number sold	Material	Type
96	Steel	Cargo
20	Wooden	Cargo
10	Composite	Cargo
5	Steel	Passenger and cargo
1	Steel	Refrigerator
23	Steel	Barge
1	Wooden	Tug
41	Wooden	Barge

Examination of the details of these sales discloses the fact that practically no sales of merchant ships have been effected save in cases where the purchasers have enjoyed shipping contracts which gave promise of being profitable enough to write off quickly a substantial part of the purchase price of the ships. There have been practically no sales of merchant ships under open market conditions. The ship sales policy of the Shipping Board has been thus far an unmistakable failure.

But the most conspicuous failure of the Shipping Board management has followed from its complete lack of constructive policies. Congress and the people of the country have expected wise counsel from those who have had for many months the greatest responsibilities and largest opportunities imaginable in modern shipping. Section 12 of the original Shipping Act of 1916 definitely instructed the Shipping Board to investigate certain matters important in the determination of permanent shipping policy. The Board was to obtain information regarding:

1. The relative cost of building merchant ships in the United States and in foreign maritime countries;
2. The relative cost, advantages, and disadvantages of operating in the foreign trade vessels under United States registry and under foreign registry;
3. Methods of classifying and rating vessels abroad and in the United States;
4. Domestic and foreign marine insurance, with a view to the steps necessary to develop a model marine insurance in aid of an American merchant marine;

5. The navigation laws of the United States and the rules and regulations thereunder, with a view to amendment and improvement of the laws;
6. The legal status of mortgage loans on vessel property, with a view to improving the security of such loans and of encouraging investment in American shipping.

Clearly Congress intended that the Shipping Board should assist in the formulation of shipping policy.

In fact, the Shipping Board has contributed little to the solution of the problem. The provision that the Board furnish Congress with information has for the most part been a dead letter.¹ It was natural that the energies of the Shipping Board should be turned in other directions prior to the signing of the armistice, but there is no justification for the neglect of the important work of investigation since that time. A special committee appointed by the Board for the purpose of carrying on investigations required under Section 12 never functioned. The Division of the Shipping Board organization best qualified to carry on the investigations was abolished by order of Chairman Payne in August, 1919. On the side of scientific investigation of shipping problems, the Shipping Board has never shown the slightest vision. Its contribution to the formulation of a permanent shipping policy has been practically nil.

This entire lack of far-reaching plans is the most serious feature of the present status of the American merchant fleet. In government circles there has been too much disposition to stand upon the record of government control of shipping during the war, too little readiness to face the underlying factors of the present shipping situation. That the government's experience with the fleet has been upon the whole a success proves

¹ The one important Shipping Board Report which has issued on the subjects enumerated is a report on marine insurance compiled under the able direction of Mr. S. S. Huebner. This was carried through under the encouragement of the House Committee on the Merchant Marine and Fisheries.

nothing regarding the possibility of a permanent merchant marine on a profit-making basis. During the war, the government used "strong-arm" methods, and the taxpayer and bond-subscriber paid all bills. But now the outcome is dependent ultimately on economic forces of a more fundamental character.

In the first place, the shipping world is threatened with a surplus of tonnage within the next two or three years. The shortage of ship tonnage which has prevailed since the opening months of the war cannot possibly continue. Ship construction has proceeded at an unprecedented pace during the past two years. Fully four times as much tonnage was launched during 1918 and 1919 as during any two years before the war. During the ten years before the war the world's fleet of ocean-going merchant steam vessels increased at the rate of approximately one and a half million gross tons a year. If its increase at this rate had not been interrupted by the war it would have reached a total of about 54,000,000 gross tons at the middle of the current year. There is every indication that this figure has now been covered, and that, therefore, the world will have in the latter part of this year fully as large a fleet as it would have had had there been no war. Labor conditions may render this tonnage somewhat less efficient than a corresponding amount would have been under pre-war conditions. Upon the other hand, it is probable that the demand for tonnage during the next few years will not be as great as it would have been had the war not had its destructive effects. It may be concluded, therefore, that should construction proceed at not more than half its pace of the past two years, a serious excess of shipping will surely result within the next two years. And even if construction, despite the enormously increased facilities, should not exceed the normal pre-war

figures, some excess of shipping is to be expected. This prospect must be kept constantly in mind in formulating the government's policy toward the American merchant marine. It has been easy enough to operate ships at a profit under the rates which have prevailed since 1914. It will be a very different matter to operate them successfully when competition assumes the intensity it is likely to show during the next few years.

In the second place, it is probable that the fleet brought under American flag is seriously in excess of the United States flag tonnage which can be profitably employed in American trade. Careful estimates of the volume and movement of American exports and imports and the probable efficiency of shipping indicate that between 15,000,000 and 16,000,000 deadweight tons of shipping in continuous service are required to lift American foreign trade. But the country cannot expect to carry under its own flag all of its exports and imports. One-half, at most two-thirds, is within the bounds of possibility. Even the British just before the war were carrying only about 65 per cent of their combined exports and imports under their own flag. If our vessels are operated with reasonable efficiency, the largest amount of tonnage we can expect to employ for the present in our own foreign trade is approximately 10,500,000 deadweight tons. It is clear that we shall have at the end of the present year an aggregate ocean-going tonnage in excess of our present trade requirements. Consequently the sale of a substantial amount of tonnage to foreign interests should be made a part of the government's shipping policy.

The composition of the present American merchant fleet is another important consideration in determining American shipping policy. The small merchant marine under United States flag at the opening of the war pre-

sumably consisted of those vessels best adapted to the trades in which the vessels were engaged. The size and speed of the ships built by the government, upon the other hand, have been dictated not by commercial considerations but principally by the desire to obtain a maximum of ship tonnage in a minimum of time. Inevitably, construction has run to certain standard sizes and to those types for the building of which yards have been already equipped. It is important, therefore, to raise the question how far the present American fleet is composed of vessels capable of meeting foreign competition on favorable terms.

The answer to this question will be most significant if attention is focused on steam vessels, and particularly on steel steamships. The sailing vessel had best be eliminated because the future of ocean transportation lies unmistakably in the power-driven ship. Wooden, concrete, and composite vessels had best be excluded because wooden vessels are demonstrably inefficient and so ill-adapted to American service as to be unprofitable to operate, and concrete and composite vessels are still so clearly in an experimental stage as to present a most uncertain future. The conditions under which the American merchant marine must meet foreign competition will be set by the character of the fleet of steel steamships.

The most significant size and speed comparisons that can be made are between the present American and British ocean-going steel steam fleets. A study of the percentage distribution of these two fleets by important size groups shows that the American fleet has a much larger proportion of small vessels and a much smaller proportion of large vessels. A like comparison of relative speed shows that two-thirds of the American vessels possess less than twelve knots rating, whereas only

slightly more than one-half of the British ships are as slow. Of fast vessels (fifteen knots and over), the British have twice as great a proportion.¹ The composition of our fleet places us unmistakably at a disadvantage as compared with the British, despite the fact that ours is a much newer fleet.

Finally, there is the fundamentally decisive factor of comparative costs under American and foreign registry. The great disadvantage of American ships before the war was universally admitted. Ships, stores, repairs, crew, formerly cost the American operator much more than the foreign. These higher charges are what drove the American merchant marine from the sea. But the war has materially reduced the excess of American costs. The wages paid seamen on American vessels today are but slightly higher than those paid on foreign ships. Other operating expenses have been almost as strikingly equalized. Ship construction in Great Britain is about as expensive as in the United States. So far as capital charges in the shipping industry are to rest upon the cost of new vessels added to the fleets, American ship operation will be at no such prohibitive disadvantage as before the war. The difficulty on the side of capital account lies in the fact that the fleets of most British companies date back a number of years and are carried on the books today at substantially less than reproduction cost. Until American shipping capital can be similarly written off, or the necessity of continual replacements raises the capital value of all fleets to the costs of current reproduction, American ship operation will labor under most serious difficulties in competition with foreign flag tonnage. Even if capital cost can be fairly equalized, there is no certainty that American

¹ Tank vessels are excluded from all these comparisons. The American fleet of this type is in all respects superior to the British.

operation can be made profitable. Probably there are lines of shipping in which American business ingenuity can overcome the present obstacles and win its way. Upon the other hand, probably there are other lines in which American effort will not succeed except with substantial grants made either directly or indirectly from the public treasury. The possibility of large subsidies, tho distasteful to many, must be faced in view of the present overwhelming sentiment in favor of an American merchant marine. The chances are, however, that a policy of ship subsidy, even if adopted, will do little more than postpone the day of final reckoning. In general, merchant marines have waxed and waned in response to underlying economic forces, not in answer to government aid. And among the many economic forces involved, none is so important as comparative cost of operation.

Factors such as those mentioned cannot be ignored in the ultimate settlement of American shipping policy. Yet the recommendations of the Shipping Board have given little evidence of a study of the general shipping situation. For several months after the signing of the armistice no recommendations at all were forthcoming from the Board. Finally, late in March, 1919, Chairman Hurley announced his proposal.¹ In substance it recommended sale of the government's fleet to American citizens at the current world-market prices for similar tonnage. The government was to offer easy terms of payment extending over ten years. Until payments were completed, the government was to retain control of the employment of the vessels, actually extending financial assistance when vessels were assigned to unprofitable services which American trading interest

¹ The plan was altogether Mr. Hurley's; the other members of the Board knew practically nothing of it.

might require. In general, however, the government was to withdraw from the shipping business as soon as possible. The scheme was worked out with considerable elaboration. To the casual observer it might have substantiated Mr. Hurley's claim that the plan was formulated after a close personal study of conditions at home and in Europe, and after careful consideration of the best information he had been able to obtain about what is going on in other quarters of the globe.¹ In fact, the plan did little more than reflect a careful regard for prevailing popular sentiment. The public as a whole thoroly distrusts government ownership and management of the merchant fleet and demands a return of the ships to private enterprise. The same public insists that the financial costs of the war be kept at a minimum by the sale of the government's war purchases on the best obtainable terms. Mr. Hurley's plan was an attempt to meet these requirements of public opinion, not the factors of the shipping situation.

Prompt sale of the fleet to private purchasers, as first proposed by Mr. Hurley, has now been the policy of the Shipping Board for nearly a year and a half. What in general may be said of the outcome? The net effect has been to prove conclusively that a policy of sale means nothing apart from the specific terms upon which the vessels are offered. In practice the Shipping Board has held the government vessels at such prices as to preclude rapid transfer of the fleet to private hands. In practice, in other words, the Shipping Board policy has been designed to preserve the government fleet despite the Board's protestations in favor of private ownership.

The Merchant Marine Act of 1920, approved on

¹ Cf. address delivered before the National Marine League, New York, March 27, 1919.

June 5, assures no substantial change in this situation.¹ The Shipping Board is authorized and directed to sell "as soon as practicable, consistent with good business methods, and the objects and purposes to be attained by this Act, at public or private competitive sale after appraisement and due advertisement" all of the vessels acquired by the Board. But the Board has had authority to do this at all times. In determining the conditions of sale the Board is instructed by the act to "take into consideration the prevailing domestic and foreign market prices of the available supply of, and the demand for, vessels, existing freight rates, and prospect of their maintenance, the cost of constructing vessels of similar types under prevailing conditions, as well as the cost of the construction, or purchase price of the vessels to be sold, and any other facts or conditions which would influence a solvent, prudent, business man in the sale of similar vessels or property which he is not forced to sell." But surely the Board has not been selling ships without taking these matters into consideration. Perhaps the Act of 1920, by explicitly directing the Board to sell, clarifies somewhat the government's policy. But it is to be noted that the act still leaves to the Board the actual definition of terms upon which the ships shall be disposed of. Whether the vessels will be rapidly or slowly transferred to private ownership depends upon decisions which must be made by the new and enlarged Board provided by the new law.

It seems altogether probable that for many years to come the government will continue to own a large fleet of ocean-going merchant vessels. As much is confessed in the new law through the indefinite extension of the life of the Emergency Fleet Corporation. Much is to be

¹ There is no opportunity to discuss in this article other aspects of the new legislation.

said for the adoption of the contrary policy of sale at prices low enough to give reasonable assurance of profitable operation by American operators under United States ship registry. Certainly the policy would have the great advantage of giving the business much-needed initial aid without forcing the government into the objectional policy of continuing ship subsidies. But there is little prospect of the adoption of such a policy. Moreover, the most propitious time for the policy has now passed. To dispose of the fleet rapidly by private sale at the present time would involve reductions of price which the American taxpaying public is probably not prepared to accept. The chances are that the government's ships will be offered at prices which will render sales slow. The probable continuation of the shipping activities of the government will also discourage private purchases. We must look forward to a long period of government ownership, with the form of private operation on government account with which the war period has made the country familiar.

If this be the case, the shipping problem becomes for the next few years a tremendous experiment in government administration. Employment of the vessels will be supervised by government officials. The financial results of operation will be verified by government accountants. Furthermore, it is to be hoped that comprehensive studies for ascertaining the most promising shipping services will be made by competent government experts; that alert and efficient shore agencies in foreign countries will be established under government auspices; that the operating contract now being introduced by the Division of Operations will be so perfected as to place a definite premium upon efficient operation of the government's vessels; and finally — to be hoped for most of all — that thoroly able men will

be brought to the Shipping Board organization. The increase of salaries of commissioners from \$7500 to \$12,000 per annum, as provided in the recent act, is a step in the right direction. The enlargement of the Board to seven members, once more geographically distributed, is a much more dubious alteration; but the changes which make possible the appointment of commissioners with shipping experience and shipping connections constitute an unmistakable improvement.

Upon the whole, our shipping problem for the immediate future has become a problem in personnel. Superior leadership by the Board may establish the American merchant fleet without excessive waste. It must be admitted that the events of the past year and a half do not offer ground for much encouragement. Unless there is greater disposition to face the underlying facts of the shipping situation, the prospects are most forbidding. But there is room for hope in the thoro reorganization of the Shipping Board under the new law. A higher order of intelligence and far-sightedness may yet be brought to bear on the country's pressing shipping problem.

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